

*Proposals include winding down Fannie and Freddie, preserving access to affordable loans and strengthening taxpayer protections*

**Washington, D.C** – Today, the **New Democrat Coalition** released a set of principles to guide the work of the Coalition on Housing Finance Reform. Under the leadership of the **New Dem Financial Services Task Force Co-Chairs Congressmen Jim Himes**

(CT-4) and

**Gary Peters**

(MI-9), the New Dems believe it is time to fix America's housing finance market to better serve American families and individuals who are looking to purchase a home, and further protect American taxpayers from risks taken in the housing market.

The New Democrats' framework, which was endorsed by the full 43-Member Coalition, winds down Fannie Mae and Freddie Mac and brings greater private sector participation and accountability to the housing market. In the New Dem plan, the federal government would maintain a limited role to provide oversight, protect taxpayers against losses, and ensure continued access to safe and affordable mortgage products, like traditional 30-year fixed home loans.

"Today, families and individuals are faced with a number of hurdles that make it difficult to achieve the American Dream of owning a home. The New Dems' principles are responsible reforms that, over time, shift the onus from the federal government to the private marketplace, while ensuring strong government oversight and consumer protections," said **New Democrat Coalition Chair**

**Congressman Joseph Crowley**

(NY-7). "Under the leadership of Representatives Jim Himes and Gary Peters and the New Dem Financial Services Task Force, the New Dems are poised to play a critical role in stabilizing our housing finance system to better serve generations to come."

"These principles will help guide efforts to reform the GSEs to both continue to assist middle class families achieve the American dream of home ownership and ensure that the American taxpayer is never again exposed to risky behavior in the housing market," said **Congressman**

**Jim Himes**

(CT-4),

**New Dem Financial Services Task Force Co-Chair and New Dem Vice-Chair**

. "The 30-year fixed mortgage is just about as American as apple pie, and these guidelines will

roll back the role of the GSEs while helping ensure qualified middle-class families can continue to buy their own home.”

**Congressman Gary Peters** (MI-9), **New Dem Financial Services Task Force Co-Chair** said, “We need a housing finance system that preserves the American dream of homeownership and preserves access to affordable mortgages for middle class families. However, we also need reforms that reduce the risk to taxpayers and that create conditions for the private sector to play a larger role in the secondary mortgage market.”

“Housing finance reforms are necessary to ensure middle-class access to mortgages and strengthen the housing sector. The New Democrats have put forward a set of principles that will allow the federal government to reduce its role in the mortgage market. This plan will preserve accessibility to traditional mortgage products while limiting taxpayer liability and encouraging private investment,” said **Congressman John Carney** (DE-AL), a New Dem Financial Services Task Force Member.

### New Democrats' Principles for Housing Finance Reform

- *Preserve Accessibility of Traditional Mortgage Products:* For generations of Americans, the 30- year fixed rate mortgage has provided opportunity for responsible home ownership, and affordable access to these products must be preserved in any reform of the housing finance system.
- *Ensure a Robust Private Market:* The Fannie Mae and Freddie Mac hybrid model of privatized gains and subsidized losses must be eliminated, and the current reliance on government backed loans must be reduced. The use of private sector mechanisms to reduce risk should be encouraged.
- *Limit Taxpayer Liability:* Any government guarantee should cover only the securities themselves, which should be based on fundamentally sound mortgages with strong underwriting standards, not the issuing entity. Companies issuing securities products must be subject to a strong and independent regulator that ensures the companies are well capitalized and capable of withstanding deep losses
- *Accurately Price Risk:* The guarantee must be explicit and priced in a way that fully accounts for the risk borne by taxpayers. The pricing mechanism must be insulated from political pressure to the greatest extent practical.
- *Encourage Greater Competition and Deep Liquidity:* Encouraging a large number of private sector entities to participate in the secondary mortgage market will create pressure to keep costs low, and having a large number of well capitalized firms securitizing loans will reduce systemic risk.
- *Require Sound Underwriting:* While there were many factors that contributed to the

housing crisis and the 2008 financial collapse, one significant factor was a lack of sound underwriting standards. Firms participating in the secondary mortgage market must ensure that borrowers obtain loans that they can actually afford.

- *Limit Activity:* A strong and independent regulator must narrowly charter the activities of issuers to limit these companies from engaging in activity that is inconsistent with preserving the accessibility of traditional mortgage products.

- *Produce a Full Range of Housing Options:* In addition to the role they play in providing liquidity for the secondary mortgage markets, the GSEs are an important source of financing for the multifamily housing industry. Housing finance reform should not reduce the availability of multifamily mortgage credit.

[Click here](#) to view the principles.

The New Democrat Coalition is a Coalition of 43 members of the U.S. House of Representatives who are dedicated to the prosperity and security of American families and business. Founded in 1997, the NDC provides Members of Congress with the opportunity to advance a common sense policy agenda focused on empowering the U.S. to grow economically and maintain a vibrant job market, preserving the U.S. standing as the world's leader in innovation and technological advancement, and strengthening our economic and national security. For more information, visit the New Dems website at <http://ndc.crowley.house.gov>.

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